

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EA-06 FRB-03 INR-07 IO-10 NEA-09 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 SS-15

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 8499

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY MANILA

USMISSION NATO

USMISSION EC BRUSSELS

USMISSION USUN

USMISSION OECD PARIS

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MANILA FOR USADB

E.O. 11652: N/A

TAGS: EAID, EFIN

SUBJECT: WORLD BANK IMF SALARY ADJUSTMENTS

REF: STATE 84204

1. ON APRIL 14 WE FORWARDED LETTER FROM TREASURY SECRETARY SIMON CONTAINED IN PARA 7 REFTTEL TO ECONOMICS AND FINANCE MINISTER FOURCADE, WHO IS GOVERNOR FOR FRANCE OF BOTH IBRD AND IMF.

2. WE ALSO RAISED THIS MATTER WITH FRENCH TREASURY

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DIRECTOR LAROSIERE, HIGHLIGHTING USG VIEWS EXPRESSED

PARAS 2 THROUGH 6 OF REFTEL ON IBRD/IMF PROPOSALS FOR SALARY INCREASES. LAROSIERE SAID THAT IN PRINCIPLE, GOF SHARED OUR CONCERNS ABOUT EXCESSIVE LEVELS OF COMPENSATION FOR EMPLOYEES OF IBRD, IMF AND OTHER INTERNATIONAL ORGANIZATIONS AND TENDENCY FOR SALARIES PAID BY THESE ORGANIZATIONS TO RISE AT MUCH TOO RAPID A PACE. FINANCE MINISTRY, HE SAID, HAD ALREADY INSTRUCTED WAHL, FRENCH EXECUTIVE DIRECTOR FOR BOTH IBRD AND IMF, TO ADOPT FAIRLY RESTRICTIVE POSITION IN IBRD AND IMF BOARD DISCUSSIONS OF THE MATTER. THESE INSTRUCTIONS INDICATED THAT WAHL SHOULD IN NO CASE AGREE TO ANY INCREASES IN EXCESS OF RISE IN WASHINGTON COST OF LIVING, AND SHOULD ARGUE FOR LESS THAN COL IN CASE OF HIGHER SALARY LEVELS. LAROSIERE RECOGNIZED THAT THIS FRENCH POSITION WAS MORE LIBERAL THAN U.S. PROPOSAL FOR A FREEZE ON ALL SALARIES ABOVE \$30,000 NET AND TAPERED INCREASE FOR REMAINDER OF STAFFS NOT TO EXCEED 5 PERCENT ON AVERAGE.

3. AFTER OVERNIGHT REFLECTION ON MATTER, LAROSIERE HAS NOW INFORMED US THAT HE HAS CONFIRMED HIS INSTRUCTIONS TO WAHL AND HAS ASKED HIM TO KEEP IN TOUCH WITH U.S. REPRESENTATIVES IN IBRD AND IMF ON THE ISSUE. LAROSIERE SAID THAT HE WOULD BE PREPARING REPLY FOR ECONOMICS AND FANCE MINISTER FOURCADE TO SEND TO SECRETARY SIMON.

4. COMMENT. IN THE PAST FRANCE HAS BEEN ONE OF THE FEW COUNTRIES TO JOIN WITH U.S. IN OPPOSING PERSISTENT PRESSURES FROM IBRD AND IMF FOR OVERLY GENEROUS SALARY INCREASES. IT IS CLEAR THAT ARGUMENTS IN REFTEL HAVE MUCH APPEAL FOR FRENCH. AT THE SAME TIME, IN FACE OF VERY HIGH LEVEL OF INFLATION WHICH HAS PREVAILED OVER PAST YEAR OR SO, GOF HAS ADOPTED POLICY THAT ITS OWN EMPLOYEES SHOULD BE PROTECTED AGAINST REDUCTION IN THE PURCHASING POWER OF THEIR SALARIES. AGAINST THIS BACKGROUND, FINANCE MINISTRY APPARENTLY FEELS THAT IT CANNOT INSIST ON MORE RIGOROUS COMPENSATION POLICY FOR IBRD AND IMF, PARTICULARLY AT MIDDLE AND LOWER GRADES.

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STONE

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